

## 15.4 GOODS AND SERVICES TAX (GST)

Goods and Services Tax (GST) is a value-added indirect tax at each stage of the supply of goods and services precisely on the amount of value addition achieved. It seeks to eliminate inefficiencies in the tax system that result in 'tax on tax', known as cascading of taxes.

GST is a destination-based tax on consumption, as per which the state's share of taxes on inter-state commerce goes to the one that is home to the final consumer, rather than to the exporting state. GST has two equal components of central and state GST.

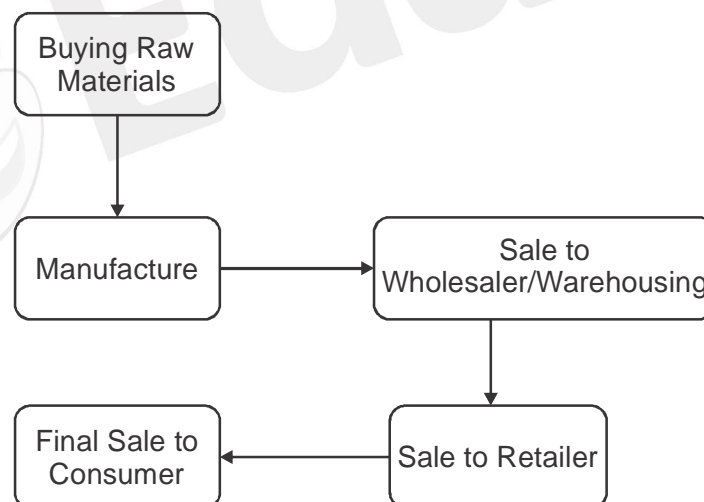
GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods and Services Tax Law in India is a **comprehensive, multi-stage, destination-based tax** that is levied on every **value addition**.

In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

### Multistage

Tax will be levied at each stage in the supply chain such as Manufacturer, Distribution and Final Consumption.

- Supply Chain
- Raw Material
- Manufacturer
- Distribution
- Final Consumption



### Value Addition

GST is levied each stage in the supply chain, where a transaction takes place. Value-addition: This is the process of addition to the value of a product/ service at each stage of its production, exclusive of initial costs. Under GST, the tax is levied only on the value added. This is done through

### For Example

The manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits.

The manufacturer then sells the biscuits to the warehousing agent who packs large quantities of biscuits and labels it. That is another addition of value after which the warehouse sells it to the retailer.

The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits thus increasing its value.



### Destination Based Consumption

Tax Revenue is for the Consumer State Not for the producer State.

### Implementation of GST in India

#### Advantages of GST to Citizens :

- (i) Simpler tax system
- (ii) Reduction in prices of goods and services due to elimination of cascading
- (iii) Uniform prices throughout the country
- (iv) Transparency in taxation system
- (v) Increase in employment opportunities

#### Advantages of GST to Trade/Industry :

- (i) Reduction in multiplicity of taxes
- (ii) Mitigation of cascading/double taxation
- (iii) More efficient neutralization of taxes especially for exports
- (iv) Development of common national market
- (v) Simpler tax regime-fewer rates and exemptions

#### Advantages of GST to Central/State Governments

- (i) A unified common national market to boost Foreign Investment and "Make in India" campaign
- (ii) Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth
- (iii) Improving the overall investment climate in the country which will benefit the development of states
- (iv) Uniform SGST and IGST rates to reduce the incentive for tax evasion
- (v) Reduction in compliance costs as no requirement of multiple record keeping
- (vi) Simpler tax system
- (vii) Broadening of tax base
- (viii) Improved revenue collections
- (ix) Efficient use of resources

**Dual GST :** Many countries in the world have a single unified GST system i.e. a single tax applicable throughout the country. However, in federal countries like Brazil and Canada, a dual GST system is prevalent whereby GST is levied by both the federal and state or provincial governments. In India, a dual GST is proposed whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of supply of goods and services.

**Impact on Prices of Goods and Services :** The GST is expected to foster increased efficiencies in the economic system thereby lowering the cost of supply of goods and services. Further, in the Indian context, there is an expectation that the aggregate incidence of the dual GST will be lower than the present incidence of the multiple indirect taxes in force. Consequently, the implementation of the GST

is expected to bring about, if not in the near term but in the medium to long term, a reduction in the prices of goods and services. The expectation is that the dealers would start passing on the benefit of the reduced tax incidence to the customers by way of reduced prices. As regards services, it could be that their short term prices would go up given the expectation of an increase in the tax rate from the present 10% to approximately 14% to 16%.

### Benefits of Dual GST

- Reduction in the number of taxes at the Central and State level
  - Decrease in effective tax rate for many goods
  - Removal of the current cascading effect of taxes
  - Reduction of transaction costs of the taxpayers through simplified tax compliance
  - Increased tax collections due to wider tax base and better compliance
- Better for business
- Good balance between centre and states
- Better for business
- Least changes, most benefits

Sl. No.	Name of the State	Date on which SGST Act passed in the Assembly
1	Telangana	Act Passed on 9 <sup>th</sup> April 2017
2	Bihar	Act Passed on 24 <sup>th</sup> April 2017
3	Rajasthan	Act Passed on 26 <sup>th</sup> April 2017
4	Jharkhand	Act Passed on 27 <sup>th</sup> April 2017
5	Chhattisgarh	Act Passed on 28 <sup>th</sup> April 2017
6	Uttarakhand	Act Passed on 2 <sup>nd</sup> May 2017
7	Madhya Pradesh	Act Passed on 3 <sup>rd</sup> May 2017
8	Haryana	Act Passed on 4 <sup>th</sup> May 2017
9	Goa	Act Passed on 9 <sup>th</sup> May 2017
10	Gujarat	Act Passed on 9 <sup>th</sup> May 2017
11	Assam	Act Passed on 11 <sup>th</sup> May 2017
12	Arunachal Pradesh	Act Passed on 12 <sup>th</sup> May 2017
13	Andhra Pradesh	Act Passed on 16 <sup>th</sup> May 2017
14	Uttar Pradesh	Act Passed on 16 <sup>th</sup> May 2017 (in both the Houses)
15	Puducherry	Act Passed on 17 <sup>th</sup> May 2017
16	Odisha	Act Passed on 19 <sup>th</sup> May 2017
17	Maharashtra	Act Passed on 22 <sup>th</sup> May 2017
18	Tripura	Act Passed on 25 <sup>th</sup> May 2017
19	Sikkim	Act Passed on 25 <sup>th</sup> May 2017
20	Mizoram	Act Passed on 25 <sup>th</sup> May 2017
21	Nagaland	Act Passed on 27 <sup>th</sup> May 2017
22	Himachal Pradesh	Act Passed on 27 <sup>th</sup> May 2017
23	Delhi	Act Passed on 31 <sup>st</sup> May 2017
24	Manipur	Act Passed on 5 <sup>th</sup> June 2017

### Taxes Currently Levied and Collected by Central :

- Central Excise Duty
- Additional Duties of Custom (CVD)
- Special Additional Duty of Custom (SAD)
- Service Tax

### Tax currently Levied and Collected by State :

- State VAT
- CST (Central Sales Tax)
- Entertainment Tax
- Tax on Lotteries, betting and gambling

### What if Tax Pay is a Service Provider ?

Every Supplier liable to be Registered under this act in the state from where he makes a taxable supply.

### Location of Supplier Service

- Place of Business which Registration obtain (Location of Supplier of service Place of Business)
- Place other than Place of business Registered (Fixed Establishment)
- In Absence of the above place (Usual Place of Residence)

### Fixed Establishment

- A place other than Place of Business.
- Which is characterized by a sufficient degree of permanences?
- Suitable structure in term of human and financial resources
- To supply services or to receive and use service for own needs.

### Usual Place of Business

(a) **Individual** : The place where he ordinary Residence

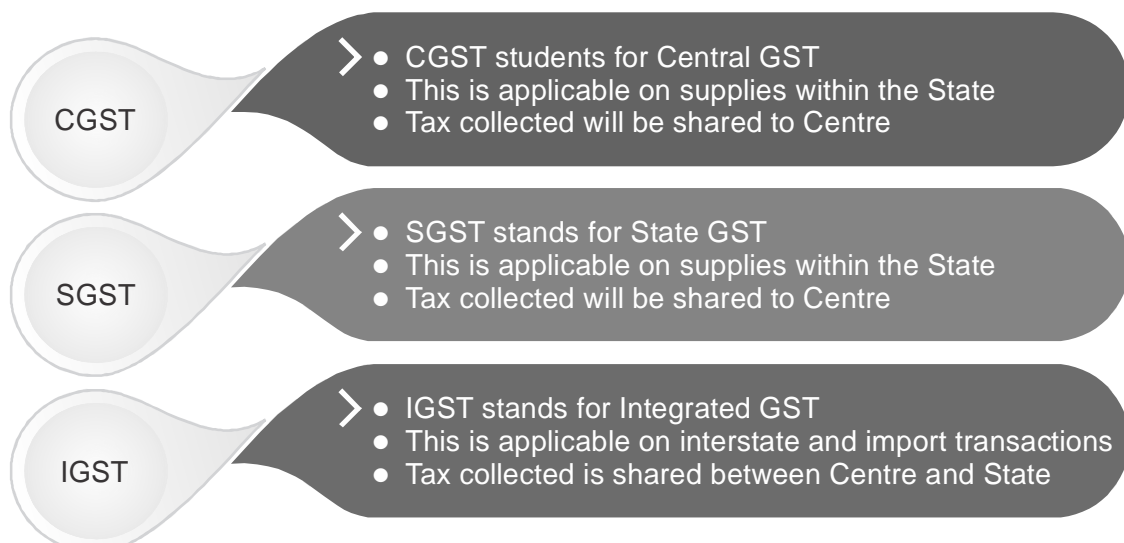
(b) **Other than Individual** : The place where the person incorporated or otherwise legally constituted.

### Liable to Pay GST

Businesses and traders with annual sales above Rs20 lakh are liable to pay GST.

The threshold for paying GST is Rs. 10 lakh in the case of northeastern and special category states. GST is applicable on inter-state trade irrespective of this threshold.

## Types of GST



**Central Goods and Services Tax Act, 2017 (CGST) :** CGST levied and collected by Central Government. It is a revenue source to the Central Government of India, on intra-state supplies of taxable goods or services or both.

(As per section 9 (1) Subject to the provisions of sub-section (2), there shall be levied a tax called the **central goods and services tax** on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, **not exceeding twenty per cent.**, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.)

**State Goods and Services Tax Act, 2017 (SGST) :** SGST levied and collected by State Governments/Union Territories with State Legislatures (namely Delhi and Pondicherry) on intra-state supplies of taxable goods or services or both. It is a revenue source of the respective State Government.

**Integrated Goods and Services Tax Act, 2017 (IGST) :** IGST is a mechanism to monitor the inter-state trade of goods and services and ensure that the SGST component accrues to the Consumer State. It would maintain the integrity of ITC chain in inter-state supplies. The IGST rate would broadly be equal to CGST rate plus SGST rate. IGST would be levied and collected by the Central Government on all inter-State transactions of taxable goods or services.

The revenue of inter-state sales will not accrue to the exporting state and the exporting state will be required to transfer to the Centre the credit of SGST/UTGST used in payment of IGST.

**Union Territory Goods and Services Tax (UTGST) :** UTGST levied and collected by Union Territories without State Legislatures, on intra-state supplies of taxable goods or services or both.

**Note :** India is a Union of States. The territory of India comprises of the territories of the States and the Union Territories. Currently, there are 29 States and 7 Union Territories; of which, two (Delhi and Pondicherry) are having Legislature.

GST – in Union Territories without Legislature: Supplies within such Union territory, Central GST will apply to whole of India and hence, it would be applicable to all Union Territories, with or without Legislature.

To replicate the law similar to State GST to Union Territories without Legislature, the Parliament has the powers under Article 246(4) to make such laws. Alternatively, the President of India may use his general powers to formulate such laws.

Hence, law same as similar to State GST can be formulated for Union Territory without Legislature, by the Parliament. The following are Union Territories without Legislature :

1. Chandigarh
2. Lakshadweep
3. Daman and Diu
4. Dadra and Nagar Haveli
5. Andaman and Nicobar Islands

### **History of GST**

**In 2000 :** P.M. Vajpayee set up a committee to draft GST Law.

**In 2004 :** A task force conclude GST must be implemented to Improve Current Tax Structure.

**In 2006 :** Finance Minister Proposes GST Introduction From 1. April 2010.

**In 2007 :** CST to be phased out. Rates reduced from 4 % to 3 %.

**In 2008 :** EC Finalize dual GST Structure to have separate levy legislation.

**In 2010 :** Project to computerized commercial taxes launched but GST Implementation Postponed.

**In 2011 :** Constitution Amendment Bill enable GST Law Introduce.

**In 2012 :** Standing Committee being discussion on GST but stalled it over clause 297 B.



**In 2013 :** Standing Committee tables its reports on GST.

**In 2014 :** GST Bills Reintroduced in Parliament by Finance Minister.

**In 2015 :** GST Bill Passed in Lok Sabha but not passed in Rajya Sabha.

**In 2016 :** Amendment Model GST Law passed in Both Houses. President of India gives assent.

**In 2017 :** Four Supplementary GST bills passed in Lok Sabha and approved by Cabinet.

As per definition given in article 366(12A), **GST covers all the goods except alcoholic liquor for human consumption.** It means no GST can be levied on Alcoholic liquor for human consumption. Present system of State Excise duty and sales tax on Alcoholic liquor for human consumption will continue. As a result, the following bills became an Act on 12th April 2017 :

- Central Goods and Services Tax Bill, 2017
- Integrated Goods and Services Tax Bill, 2017
- Union Territory Goods and Services Tax Bill, 2017
- Goods and Services Tax (Compensation to States) Bill, 2017

The Central Government notified 1st July, 2017 as the date from which the much awaited indirect tax reform in India, i.e. Goods and Services Tax (GST) will be implemented. Accordingly, Goods and Services Tax (GST) has been implemented in India w.e.f. 1st July, 2017.

### **Inter-State V/s Intra Stock Transfer**

Intra-state stock transfer is taxable only when entity has more than one registration in one state. For example, Factory located in Tamil Nadu and warehouse is also located in the same state (i.e. Tamil Nadu) however, registered separately under GST, transfers between them treated as supply. Hence, CGST plus SGST will be levied. Inter-State stock transfer is taxable. It means IGST will be levied.

### **Important Definition of GST**

#### **1. Sec 2(17), "Business" Includes :**

- (a) Any trade, commerce, manufacture, profession, vocation, adventure, wager (i.e. bet, gamble) or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) Any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) Any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) Supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) Provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- (f) Admission, for a consideration, of persons to any premises;
- (g) Services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation.
- (h) Services provided by a race club by way of totalisator (i.e. computer that registers bets and divides the total amount bet among those who won) or a license to book maker in such club; and
- (i) Any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

**Note :** Book maker means: a person whose job is to take bets (especially on horse races), calculate odds, and pay out winnings; the manager of a betting shop.

2. **Sec 2(31), "Consideration"** in relation to the supply of goods or services or both includes:
- (a) Any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
  - (b) The monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

3. **Sec 2(45), Electronic Commerce Operator Means** : Any person, who owns, operates or manages digital or electronic facility or platform for electronic commerce.
4. **Sec 2(52), Goods Means** : Every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply.
5. **Section 2(56), "India" Means** : The territory of India as referred to in Article 1 of the Constitution, its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and the air space above its territory and territorial waters;
6. **Section 2(78), "Non-Taxable Supply" Means** : A supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act; for example
- (1) Alcoholic Liquor for human consumption is Non-taxable Supply.
  - (2) Sale of Land etc.
7. **Sec 2(84), "Person" Includes** :
- (a) An Individual;
  - (b) A Hindu Undivided Family;
  - (c) A company;
  - (d) a firm;
  - (e) A Limited Liability Partnership;
  - (f) An association of persons or a body of individuals, whether incorporated or not, in India or outside India;
  - (g) Any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013;
  - (h) Any -body corporate incorporated by or under the laws of a country outside India;
  - (i) A co-operative society registered under any law relating to co-operative societies;
  - (j) A local authority;
  - (k) Central Government or a State Government;
  - (l) Society as defined under the Societies Registration Act, 1860;
  - (m) Trust; and
  - (n) Every artificial juridical person, not falling within any of the above;

8. **Sec. 2(90), "Principal Supply"** means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;
9. **Sec. 2(93), "Recipient"** of supply of goods or services or both, means :
  - (a) Where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
  - (b) Where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
  - (c) Where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;
10. **Section 2(98), "Reverse Charge" Means** : The liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act;
11. **Section 2(102), "Services" Means** : Anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged; **(12) Section 2(105), "Supplier" in Relation to** : Any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;
13. **Section 2(107), "Taxable Person" Means** : A person who is registered or liable to be registered under section 22 (i.e. registration required if turnover exceed threshold limit and so on) or section 24 (i.e. Compulsory registration under GST).
14. **Section 2 (108), "Taxable Supply" Means** : A supply of goods or services or both which is liable to tax under this Act;

Though edible items like sugar, tea and coffee are included in the 5% slab, milk does not attract any tax under the new GST regime. The idea behind this is to ensure that basic food items are available for everyone but instant food is kept out of this category.

- Basic household items like toothpaste and hair oil, which currently attract 28% tax, will be taxed at 18% only.
- Sweets will also be taxable at 5%.
- Tax rates on coal has also been reduced from 11.69% to just 5% in order to relieve the pressure on power industries.
- GST also gives a major push to domestic industries as they will be able to procure seamless input credit for capital goods. Make in India campaign is set to flourish after this reform.

#### GST Tax Rates on Some Common Items

Tax Rates	Products
5%	Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal, Mishti/Mithai (Indian Sweets) and Life-Saving drug are also covered under this GST slab
12%	This includes computers and processed food
18%	Hair oil, toothpaste and soaps, capital goods and industrial intermediaries are covered in this slab
28%	Luxury items such as small cars, consumer durables like AC and Refrigerators, premium cars, cigarettes and aerated drinks, High-end motorcycles are included here.



**GST Rates on Goods**

The government has proposed a 4-tier tax structure for all goods and services under the slabs- 5%, 12%, 18% and 28%. After the recent revision of GST rates, these are the commodities that fall under the four tax slabs along with those that do not attract any tax. Please note that only those commodities are included in this list whose rates have been revised in various council meetings.

Let us have a look at various products and the tax slab in which they fall into :

**No Tax**

Apart from other items that enjoy zero GST tax rate, these are the commodities added to the list after 11th June rate revision :

- Hulled cereal grains like barley, wheat, oat, rye, etc.
- Bones and horn-cores unworked and waste of these products.
- Palmyra jaggery
- All types of salt
- Dicalcium Phosphate (DCP) of animal feed grade conforming to IS specification No. 5470 : 2002
- Kajal [other than kajal pencil sticks]
- Picture books, colouring books or drawing books for children
- Human hair – dressed, thinned, bleached or otherwise worked
- Sanitary Napkins
- Unit container-packed frozen branded vegetables (uncooked/steamed)
- Vegetables preserved using various techniques including brine and other preservatives that are unsuitable for immediate human consumption.
- Music Books/manuscripts

**5% Tax Slab**

Given below are the items that have been added to the 5% GST tax rate slab along with the other existing items–

- Cashew nuts/cashew nuts in shell
- Ice and snow
- Bio gas
- Insulin
- Aggarbatti
- Kites
- Coir mats, matting and floor covering
- Pawan Chakki that is Wind-based Atta Chakki
- Postage or revenue stamps, stamp-postmarks, first-day covers, etc.
- Numismatic coins
- Braille paper, braille typewriters, braille watches, hearing aids and other appliances to compensate for a defect or disability
- Fly-ash blocks
- Walking sticks
- Natural cork
- Marble rubble
- Accessories/parts for carriages designed for differently-abled individuals

**12% Tax Slab**

After the GST council meeting on 11th June, the following items were added to the 12% GST rates category :

- Preparations of vegetables, fruits, nuts or other parts of plants, including pickle, murabba, chutney, jam, jelly
- Ketchups, sauces and mustard sauce but excluding curry paste, mayonnaise and salad dressings, mixed condiments and mixed dressings
- Bari made of pulses including mungodi
- Menthol and menthol crystals, peppermint, fractionated/de-terminated mentha oil, dementholised oil, Mentha piperita oil and spearmint oil
- All diagnostic kits and reagents
- Plastic beads
- Exercise books and note books
- Glasses for corrective spectacles and flint buttons
- Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs
- Fixed Speed Diesel Engines
- Two-way radio (Walkie talkie) used by defence, police and paramilitary forces etc.
- Intraocular lens
- Corrective spectacles
- Playing cards, chess board, carom board and other board games, like ludo, etc.
- Debagged/roughly squared cork
- Items manufactured from natural cork
- Agglomerated cork

**18% Tax Slab**

The items mentioned below have been added to the 18% GST tax rate slab among the other existing items :

- Kajal pencil sticks
- Dental wax
- Plastic Tarpaulin
- School satchels and bags other than of leather or composition leather; toilet cases, Hand bags and shopping bags of artificial plastic material, cotton or jute; Handbags of other materials excluding wicker work or basket work
- Headgear and parts thereof
- Precast Concrete Pipes
- Salt Glazed Stone Ware Pipes
- Aluminium foil
- All goods, including hooks and eyes
- Rear Tractor tyres and rear tractor tyre tubes
- Rear Tractor wheel rim, tractor centre housing, tractor housing transmission, tractor support front axle
- Weighing Machinery other than electric or electronic weighing machinery
- Printers other than multifunction printers
- Ball bearing, Roller Bearings, Parts & related accessories
- Transformers Industrial Electronics

- Electrical Transformer
- Static Converters (UPS)
- CCTV including CCTV with video recorders
- Set top Box for TV
- Computer monitors not exceeding 17 inches
- Electrical Filaments or discharge lamps
- Winding Wires, Coaxial cables and Optical Fiber
- Perforating or stapling machines (staplers), pencil sharpening machines
- Baby carriages
- Instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers)
- Bamboo furniture
- Swimming pools and paddling pools
- Televisions/Monitors (upto 32 inches)
- Power banks powered by Lithium-ion batteries
- Sports goods, games consoles and related items with HS code 9504
- All items with HS code 8483 including gear boxes, transmission cranks and pulleys
- Used or retreaded pneumatic rubber tires

**28% Tax Slab**

The council meeting was held to 'reduce' the tax rates on certain items based on customer preferences. Hence, no additional items were added to the highest GST rates slab of 28%.

\*The GST rates for various products are subject to change from time to time without prior information.

**GST Rates on Services**

Government has also impose GST on Services with the same 4-tier tax structure as of goods. GST rates on services comprising of 5%, 12%, 18% and 28% comes with various pros and cons for the consumers. However, government has exempted healthcare and educational services from the purview of the GST.

The Goods and Services Tax council has passed the rate slabs at NIL, 5%, 12%, 18%, 28%. Some of the services categorized under different slabs are mentioned below :

**Nil GST**

- Chargeable services offered on Basic Savings Bank Deposit (BSBD) account opened under the PMJDY (Pradhan Mantri Jan Dhan Yojana)

**5% Tax Slab**

- Railways-Transportation of goods, passengers
- Goods transported in a vessel from outside India
- Renting a motor cab without fuel cost
- Transport services in AC contract/stage or radio taxi
- Transport by air (scheduled)/air travel for purpose of pilgrimage via chartered/non-scheduled flights
- Tour operator services
- Leasing of aircrafts
- Print media ad space
- Working for printing of newspapers

**12% Tax Slab**

- Rail transportation of goods in containers from a third party other than Indian Railways
- Air travel excluding economy
- Food /drinks at restaurants without AC/heating or liquor license
- Renting of accommodation for more than Rs.1000 and less than Rs.2500 per day
- Chit fund services by foremen
- Construction of building for the purpose of sale
- IP rights on a temporary basis
- Movie Tickets less than or equal to Rs. 100

**18% Tax Slab**

- Food/drinks at restaurants with liquor license
- Food /drinks at restaurants with AC/heating
- Outdoor catering
- Renting for accommodation for more than Rs.2500 but less than Rs.5000 per day
- Supply of food, shamiyana, and party arrangement
- Circus, Indian classical, folk, theatre, drama
- Supply of works contract
- Movie Tickets over Rs. 100

**28% Tax Slab**

- Entertainment events-amusement facility, water parks, theme parks, joy rides, merry-go-round, race course, go-carting, casinos, ballet, sporting events like IPL
- Race club services
- Gambling
- Food/drinks at AC 5-star hotels
- Accommodation in 5-star hotels or above

**GST on Loans and Advances**

Earlier Service Tax was levied on Loans which has now been replaced by GST which would now be levied on loans. The rate of Service Tax was 15% whereas the rate of GST is 18%. A lot of people are of the opinion that the effective cost of having a loan would increase as the rate of GST is 3% higher than the rate of Service Tax. Several people are of the opinion that their EMI's would increase as the rate has been increased by 3%. However, this is not the case as GST is not levied on repayment of loan or on payment of Interest on Loan.

GST is only levied on the processing charges and any other charges paid to the bank excluding the principal repayment and interest payment. These other charges include the Loan Processing Fees, Loan Prepayment Charges and other charges, if any. As a major chunk of the loan repayment comprises of principal repayment and interest payment, the impact of GST on Loans would be very negligible. The impact of GST on Home Loans and Personal Loans has been explained below for a much better understanding of the impact.

Mentioned below are the important loans and their GST rates :

- (a) Personal Loan- 18%
- (b) Home Loans- 18%
- (c) Car Loan- 18%

**GST on Cars**

Subsequent to bringing cars under the GST regime, the GST rate on cars has been fixed at 28% for all personal use vehicles featuring a petrol or diesel driven engine. However, in addition to GST, a composition cess is also applicable to cars over and above the GST Rate. Thus the overall tax rate applicable to vehicles under GST ranges from 29% to 50%. Lower rates of taxation are however applicable to cars driven by cleaner technologies such as fuel cells (including hydrogen fuel cell) and electric vehicles. Know more about GST on cars

**GST on Gold**

Subsequent to introduction of GST on items made from gold such as gold jewellery, the current GST rate on gold is 3%. However, a 5% GST rate is applicable to making charges applied to gold jewelry in case the manufacturing is outsourced to a job worker. This can however, be charged as input tax credit (ITC) by the jeweler and only a 3% GST charge is applied to the final bill paid by the purchaser of gold jewellery items.

**GST On Real Estate**

GST is applicable to real estate purchases only if you are purchasing an under construction property. The GST rate applicable to such transactions is 12%. No GST is applicable in case you are purchasing a ready to move in property. Additionally, different GST rates are applicable to various building materials used in the construction of houses/flats. This can range from 5% (sand, marble rubble, etc.) to 28% (cement, etc.).

**GST on Food**

Food items especially fresh food mostly carry a Nil GST rate. However, packaged food stuff and semi-processed/processed foods do feature GST rates starting from 5% up to 18%. While no food stuff are currently included in the highest 28% GST bracket, the 18% rate of GST is applicable to some common food products such as chocolates as well as baked goods such as cakes.

**Taxes Which are not to be Subsumed**

GST may not subsume the following taxes within its ambit :

- **Basic Customs Duty** : These are protective duties levied at the time of Import of goods into India.
- **Exports Duty** : This duty is imposed at the time of export of certain goods which are not available in India in abundance.
- **Road & Passenger Tax** : These are in the nature of fees and not in the nature of taxes on goods and services.
- **Toll Tax** : These are in the nature of user fees and not in the nature of taxes on goods and services.
- **Property Tax**
- **Stamp Duty**
- **Electricity Duty**

**Registration of GST****Who Liable to Register**

1. **Register Under Existing Law**  
(CST, VAT, Excise etc.)
2. **Based on Threshold Limit (Conditional Registration)**  
(Aggregate Turnover in a Financial Year)



**3. Mandatory Registration (5 in Schedule III)**

(Irrespective of Turnover)

- E-Commerce
- Remits Tax or Claims ITC (Input Tax Credit)
- TDS (Collect Tax/Remits to Govt.)
- Person Claims : ITC (Input Tax Credit)
- Special Cases

**4. Aggregate Turnover Limit (Rest. India)**

More Than 20 Lakh in Financial Year

**5. Special Categories States**

Aggregate Turnover Limit

More Than 10 Lakh in Financial Year

**Special Category States**

- (a) Arunachal Pradesh
- (b) Assam
- (c) Manipur
- (d) Meghalaya
- (e) Mizoram
- (f) Nagaland
- (g) Sikkim
- (h) Tripura
- (i) Uttarakhand
- (j) Himachal Pradesh
- (k) J and K

**Note :** The turnover threshold for Jammu and Kashmir and Uttarakhand shall be ₹ 1 crore.

**Aggregate Turnover [Sec. 2(6)]**

Taxable Turnover	.....
Exempted Turnover	.....
Inter State Turnover	.....
Taxes (CGST, SGST, IGST)	.....
Inward Supplies (Reverse Charge Supplied)	.....

As per Section 10(1) of CGST Act, 2017, Registered person, whose aggregate turnover in the financial year did not exceed Rs. 1 crore (Rs. 75 Lakhs for north-eastern states), may opt to pay composition levy.

**Compulsory Registration**

**Sec. 24 :** The following categories of persons shall be required to be registered under GST :

- (i) Person making any inter-state taxable supply;
- (ii) Casual taxable persons making taxable supply;
- (iii) Person who are required to pay tax under reverse charge;
- (iv) Person who are required to pay tax under sec. 9(5) of CGST (i.e. Electronic Commerce Operator);
- (v) Non-resident taxable person making taxable supply;

- (vi) Persons who are required to deduct tax under Sec 51, whether or not separately registered under this Act;
- (vii) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
- (viii) Input Service Distributor, whether or not separately registered under this Act;
- (ix) Persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52
- (x) Every electronic commerce operator;
- (xi) Every person supplying online information and database access or retrieval services from place outside India to a person in India, other than a registered person; and
- (xii) Such other person or class of persons as may be notified by the Govt. on the recommendation of the Council.

### **Voluntary Registration**

- If Person does not fall within any of these category he can choose to voluntary register.
- Claim all the benefit of a registries tax payer.
- He will have to follow all the provisions just like any registered tax payer.

### **Exempted For Registration**

#### **1. Exempted Supplies**

#### **2. Agriculture**

- (a) Floriculture
- (b) Horticulture
- (c) Sericulture
- (d) Raising of Crops
- (e) Grass or Garden Product

But does not Include dairy, Farming, Poultry, Gathering of Fruits , Stockbreeding or Rearing of Seeding or Plants.

- 3. UNO** : Any Specialized agency of UNO any Multilaterally Finance, Institution and organization notified under United Nation act, 1947.
- 4. Embassy** : Consulate of embassy of foreign Countries
- 5. Notified Person** : Any Notified by Board Commissioner / State or Central Govt.

### **Place of Business**

- Where the business is ordinary carries on where house, god won, any place stored, goods/ service providers or received.
- Where a taxable person maintain his books of accounts
- Where a taxable person is engaged in business through an agent.

### **Registration Procedure under GST [u/s 25 of CGST]**

Every person who is liable to be registered shall apply for registration within 30 days from the date on which he becomes liable to registration, before applying for registration declare his :

- 1. Legal name of business
- 2. PAN,
- 3. Mobile number,
- 4. E-mail address,

5. State or Union territory
  - In Part A of Form GST REG -01 on Common Portal
  - On successful verification of these numbers, a reference number will be generated.
  - Applicant shall submit Part B of Form GST REG-01, duly signed, along with documents specified in the said Form at the Common Portal.
  - Form GST REG - 02 : Acknowledgment of Application If these documents are found to be in order, the Proper Officer shall approve the registration within 3 working days from the date of submission.
6. Persons who make taxable supply of goods or services or both on behalf of other taxable person whether as an agent or otherwise;
7. Input Service Distributor, whether or not separately registered under CGST;
8. Persons who supply of goods or services or both, other than supplies specified under Sec 9(5), through such electronic commerce operator who is required to collect tax at source under Sec 52;

### **Certificate of Registration**

- Certificate of registration shall be granted in Form GST REG-06.
- Certification of registration contains Goods and Service Tax Identification Number (GSTIN):

### **HSN Code (Harmonized System of Nomenclature)**

The Harmonized Commodity Description and Coding System generally refers to "Harmonized System of Nomenclature" or simply "HSN". It is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It first came into effect in 1988.

### **HSN Codes to be Declared**

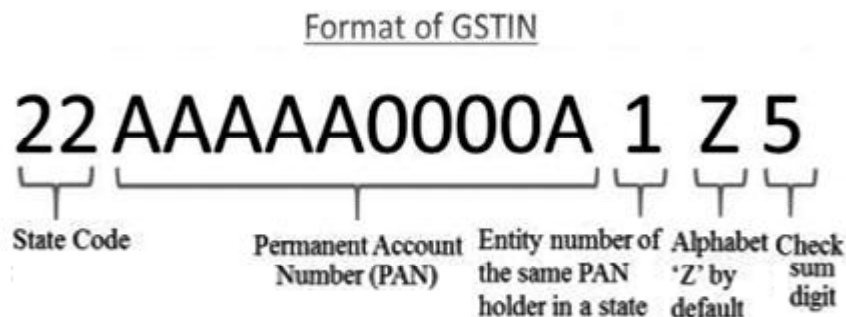
Turnover	No. of Digits of HSN to be Declared
Up to 1.5 crore	0
1.5 crore- 5 crore	2
More than 5 crore	4

### **SAC (Service Accounting Code)**

Service Accounting Code used for Classifying Services.

### **GSTIN**

GSTIN is a 15 digit unique code which will be assigned to each taxpayer, which will be State-wise and PAN-based. The structure or format of 15 digit GSTIN (Goods and Services Tax Identification Number) will look like below.



### **Advance Payment of Tax**

The Common Portal, after making the mandatory advance deposit of tax for an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought will give the applicant a temporary reference number. The registration certificate shall be issued electronically only after the said deposit appears in his electronic cash ledger. The amount deposited shall be credited to the electronic cash ledger of casual taxable person.

On depositing the amount, an acknowledgment shall be issued electronically to the applicant in FORM GST REG-02.

The casual taxable person can make taxable supplies only after the issuance of the certificate of registration.

### **Non Resident Taxable Person**

Means a taxable person who occasionally undertakes transactions involving supply of goods or service whether as principle or agent or in any other capacity but who has not fixed place of business in India .

### **Time Limit Registration**

- Existing Tax Payer
- New Dealer
- Casual and Non Resident Taxable Person

### **Time Limit For Registration**

1. Already falls under one of these categories.  
Apply for registration in 30 days from date GST comes into force.
2. Currently not liable to register does not fall under any category  
Apply for registration in 30 days from the date on which dealer becomes liable to register either cross the threshold limit or falls under the mandatory category.
3. Voluntary Registration  
No Limit

#### **Note :**

- Apply for registration at least 5 days before starting of business.
- Registration will be valid for 90 days.
- Can apply for extension of further 90 days.
- Pay advance deposit during time of registration.

### **Casual and Non-Resident Taxable Person**

- Difficult to trace them in case of them.
- No Fixed Place of Business

### **Composition Scheme**

The Government of India provides for simplified and easy of doing business scheme for payment of taxes and filling of returns to certain categories of taxable person. As a result such taxable person is not required to maintain elaborate records and filing detailed returns. Section 10 of the CGST Act, provides for composition levy to such person.

The following people cannot opt for the scheme :

- Taxpayer supplying exempt supplies.
- Supplier of services other than restaurant related services
- Manufacturer of ice cream, pan masala, or tobacco
- Casual taxable person or a non-resident taxable person
- Businesses which supply goods through an e-commerce operator

### Composition Scheme Rules under GST-Compliance

Composition Scheme Rules under GST provides for submission of different forms meant for respective purposes followed by due date for submission of such forms, which are as follows :

Form Required	Purpose	Due Date
FORM GST CMP-01	To opt for scheme by provision registration holder	Prior to appointed date or within 30 days of the said date
FORM GST CMP-02	Intimation of willingness to opt for scheme	Prior to commencement of Financial Year
FORM GST CMP-03	Details of stock and inward supplies from Unregistered Person	Within 30 days of exercise of option
FORM GST CMP-04	Intimation of willingness to opt for scheme	Within 7 days of exercise of event
FORM GST CMP-05	Show Cause Notice on contravention of rules or Act by Proper Officer	On contravention
FORM GST CMP-06	Reply to Show Cause Notice	Within 15 days
FORM GST CMP-07	Issue of Order	Within 30 days
FORM GST REG-01	Registration under Composition scheme	Prior to appointed date
FORM GST ITC-01	Details of inputs in stocks, semi-finished and finished goods	30 days of option withdrawn
FORM GST ITC-13	Intimation of ITC available	With 60 days of commencement of Financial Year

### Types of GST Returns

#### Normal Revised Tax Payer (RTP)

- GSTR-1 (Out ward Supplies)
- GSTR-2 (Inward Supplies)
- GSTR-3 (Monthly Return)
- GSTR-9 (Annual Return)

#### Compensation Supplier

- GSTR-4 (Quarterly Returns)
- GSTR-9 (E-commerce operator and the amount of tax collected)

#### Non Resident Taxable Person

- GSTR-5 (Input Service Provider)
- GSTR-6 (Input Service Distributer)

#### Person Deducting Tax (TDS)

- GSTR-7 (Return for authorities deducting tax at source)



**E-Commerce Operators**

- GSTR-8 (Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax)

Return Form	What to file ?	By Whom ?	By When ?
<b>GST R-1</b>	Details of outward supplies of taxable goods and/or services effected	Registered Tax Supplier	10th of next month
<b>GST R-2</b>	Details of inward supplies of taxable goods and/or services effected claiming input tax credit	Registered Taxable Recipient	15th of the next month
<b>GST R-3</b>	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month
<b>GST R-4</b>	Quarterly return for compounding taxable person.	Composition Supplier	18th of month succeeding quarter
<b>GST R-5</b>	Return for Non-Resident foreign taxable person	Non-Resident Taxable Person	20th of the next month
<b>GST R-6</b>	Return for Input Service Distributor	Input Service Distributor	13th of next month
<b>GST R-7</b>	Return for authorities deducting tax at source	Tax Deductor	15th of the next month
<b>GST R-8</b>	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month
<b>GST R-9</b>	Details of supplies effected through e-commerce operator and the amount of tax collected	E-commerce Operator/Tax Collector	10th of the next month
<b>GST R-10(A)</b>	Return for Non-Resident foreign taxable person	Non-Resident Taxable Person	20th of the next month
<b>GST R-10(B)</b>	Final Return	Taxable person whose registration has been surrendered or cancelled.	Within three months of the date of cancellation or date of cancellation order, whichever is later
<b>GST R-11</b>	Details of inward supplies to be furnished by a person having UIN	Person having UIN and claiming refund	28th of the month following the month for which statement is filed

**Returns can be filed using any of the following methods**

1. GSTN portal ([www.gst.gov.in](http://www.gst.gov.in))
2. Offline utilities provided by GSTN
3. GST Suvidha Providers (GSPs)

**Penalty and Late Fees**

- ₹ 100 for CGST and ₹ 100 for SGST per day or ₹ 5,000 each CGST and SGST whichever is less

- Maximum penalty is ₹ 5,000 for CGST and SGST each

**Note :** If the GSTR is not filed for a given quarter/month, then the taxpayer cannot file the next quarter's/month's return either. If there is no issue regarding the tax payment and person is missed out the GSTR filing due dates, in this case, the person is again liable to pay penalty, which is ₹ 100 for CGST and ₹ 100 for SGST per day. The maximum amount in the case of missing the filing is ₹ 5,000.

### Important Points for EXAM

Goods and Services Tax (GST) is an indirect tax which has been implemented in India on 1 July 2017. The main objective behind the implementation of this tax is to make a uniform tax system in the country. Due to the implementation of the GST, incidence of tax evasion will come down in the country. So GST will increase the total tax collection of the government.

- The Goods and Services Tax (GST) was first implemented in **France**.
- India's GST is based on the **Canadian model**.
- GST in India was made on the recommendation of **Vijay Kelkar Committee**.
- GST in India was implemented on **July 1, 2011**.
- The first state which implemented the GST was **Assam**.
- **Amitabh Bachchan** has been made the brand ambassador of GST.
- GST has been implemented under **Article 279** of the Indian constitution.
- GST Council was formed by the President of India in **September 2016**.
- At present **Finance Minister Arun Jaitley is the Chairman of the GST Council**.
- At present GST Council has **31 members**.
- GST has been implemented by the **101st Constitution Amendment Act, 2016**.
- The GST was the **122nd constitutional amendment bill** to be introduced in the Parliament of India.
- The President of India approved GST bill on **8th September 2016**.
- During passing of GST bill in parliament; **336 votes casted in the favour** of GST bill and **11 votes were against** it.
- There is a provision of **5 years imprisonment** for those who do not pay GST.
- There are 5 rates of taxes in GST i.e. **0%, 5%, 12%, 18% and 28%**.
- GST is an **indirect tax**.
- After the **implementation of GST**, sales tax, service tax, customs duty, excise duty, VAT, Octroi tax etc. will not exist.
- The biggest reason behind the implementation of the **GST is to bring uniformity** in the tax system of the country.
- After the implementation of GST, tradition of '**Tax upon Tax**' will be eliminated.